

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

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TO SECSTATE WASHDC 686

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E.O. 11652: N/A

TAGS: ETRD, GSP, EEC, PO, CY

SUBJECT: GSP AND REVERSE PREFERENCE COUNTRIES

REF: A) STATE 47248, B) EC BRUSSELS 1491, C) EC BRUSSELS 1680

1. CONCERNING THE MODIFICATIONS ENVISIONED IN THE EC/PORTUGAL AND EC/CYPRUS AGREEMENTS, PER REFS B AND C, AND RESPONDING TO THE REQUEST CONTAINED IN REF A, WE WOULD FIRST RECALL THAT IN BOTH AGREEMENTS THE ULTIMATE AIM IS RECIPROCAL DUTY-FREE ACCESS (WITH, HOWEVER, VARIOUS RESTRICTIONS ON AGRICULTURAL TRADE). THE TIMETABLE FOR PORTUGUESE REDUCTIONS TO ZERO IS ALREADY SPELLED OUT, WHILE THE SCHEDULE FOR THE CYPRIOT REDUCTIONS AFTER 1977 WILL BE DISCUSSED DURING THE UPCOMING NEGOTIATIONS.

2. EC/PORTUGAL: AS THE DEPARTMENT IS AWARE, THE CUR-
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RENT EC/PORTUGAL AGREEMENT IS A PREFERENTIAL TRADE

AGREEMENT OF UNLIMITED DURATION, NEGOTIATED UNDER ARTICLE 113 OF THE TREATY OF ROME, WITH THE OBJECTIVE OF CREATING A FREE TRADE AREA. THIS AGREEMENT ENTERED INTO FORCE ON JAN. 1, 1973. IT PROVIDES FOR YEARLY PORTUGUESE TARIFF REDUCTIONS OF 20 PERCENT UNDER THE FOLLOWING TIMETABLE:

1 JAN. 73--80 PERCENT (I.E., 20 PERCENT REDUCTION)
1 JAN. 74--60 PERCENT
1 JAN. 75--40 PERCENT
1 JAN. 76--20 PERCENT
1 JAN. 77--0 PERCENT

THERE ARE CERTAIN DEROGATIONS FROM THIS FORMULA, IN PARTICULAR TWO LISTS OF PRODUCTS WHICH BENEFIT FROM LENGTHIER TARIFF RUNDOWN. LIST A (ABOUT 1,000 PRODUCTS INCLUDING SOAPS, PLASTIC AND RUBBER ARTICLES, ETC.) REACHES ZERO DUTY BY 1 JAN. 1980; LIST B (ABOUT 200 PRODUCTS INCLUDING HYDROCARBONS, MEDICINES, FERTILIZER, POLYESTER FABRICS, CONSTRUCTION MATERIALS, ETC.) REACHES ZERO DUTY BY 1 JAN. 1985.

3. CONCERNING MODIFICATIONS TO THESE EC/PORTUGAL REVERSE PREFERENCES, WE NOTE THAT THE PURPOSE OF THE COMMISSION'S NEW NEGOTIATING DIRECTIVES (REFTEL B) IS TO PROVIDE ASSISTANCE TO PORTUGAL IN CONJUNCTION WITH THE ECONOMIC AND FINANCIAL AID BEING SUPPLIED BY THE COMMUNITY AND OTHER DONORS INCLUDING THE US. THESE DIRECTIVES WILL EXPAND AND DEEPEN THE EC'S CONCESSIONS TO PORTUGAL BUT WILL NOT REPEAT NOT BROADEN PRODUCT COVERAGE NOR DEEPEN PREFERENTIAL MARGINS IN FAVOR OF THE EC. ON THE CONTRARY THE NEW ARRANGEMENTS AMOUNT TO A TEMPORARY APPLICATION OF THE BRAKES TO THE PREVIOUS REVERSE PREFERENCE POLICY, I.E. TRANSFER OF ITEMS FROM LIST A TO LIST B (REF B).

4. EC/CYPRUS: THE EXISTING EC/CYPRUS ASSOCIATION AGREEMENT HAS ITS LEGAL BASIS UNDER ARTICLE 238 OF THE TREATY OF ROME AND ENTERED INTO FORCE 14 MAY, 1973. IT PROVIDES FOR THE ASSOCIATION TO PASS THROUGH LIMITED OFFICIAL USE

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TWO STAGES. THE FIRST STAGE, WHICH EXPIRES 30 JUNE, 1977, PROVIDES REVERSE PREFERENCES ON COMMUNITY EXPORTS UNDER THE FOLLOWING TIMETABLE OF REDUCTIONS:

ENTRY INTO FORCE 14 MAY 73--15 PERCENT REDUCTION
BEGINNING OF 3RD YEAR (1976)--25 PERCENT REDUCTION
BEGINNING OF 5TH YEAR (1978)--35 PERCENT REDUCTION

SOME DEROGATIONS FROM THESE REDUCTIONS ARE PROVIDED
IN THE CASE OF INFANT INDUSTRIES AND FOR FISCAL
REASONS.

5. THE AGREEMENT'S SECOND STAGE WITH A DURATION,
IN PRINCIPLE, OF 5 YEARS, IS TO FOLLOW WITH THE
STATED OBJECTIVE OF COMPLETE ELIMINATION OF TARIFFS
AND THE ESTABLISHMENT OF A CUSTOMS UNION. IT IS THIS
SECOND STAGE WHICH THE COMMISSION IS NOW PREPARING
FOR (REFTEL C). CONTACTS WITH COMMISSION OFFICIALS
DEALING WITH CYPRUS INDICATE THAT THE THRUST OF THE
COMMISSION'S PROPOSALS (PER REF C) IS TO RESPOND TO
THE CYPRIOT REQUEST, AND THE EC'S COMMITMENT, TO
KEEP THE EC/CYPRUS AGREEMENT ON A PAR WITH OTHER
AGREEMENTS UNDER THE EC/S "GLOBAL" MEDITERRANEAN
POLICY. SINCE THE FIRST GENERATION OF THESE AGREE-
MENTS (MAGHREB, ISRAEL AND MALTA) HAVE BEEN COMPLETED,
THE COMMUNITY MUST NOW MAKE THE NECESSARY ADJUSTMENTS
FOR CYPRIOT EXPORTS TO THE EC AND EC AID, IN CON-
JUNCTION WITH THE TRANSITION TO THE SECOND STAGE
OF THE 1973 AGREEMENT. OUR CONTACTS NOTE THAT
GIVEN THE UNSETTLED SITUATION IN CYPRUS IT IS UNCLEAR
AT THIS STAGE JUST HOW THE QUESTION OF FURTHER CYPRIOT
TARIFF CUTS, BEYOND THE 35 PERCENT REDUCTION ALREADY
SCHEDULED, WILL BE HANDLED. THEY PROMISED TO KEEP
US INFORMED.

6. AFTER WE CARRIED OUT THE INSTRUCTIONS CONTAINED IN
PARA 4 OF REFTEL A IN CONJUNCTION WITH THIS MESSAGE,
OUR COMMISSION CONTACT EXPRESSED THE HOPE THAT THE
RESULTS OF OUR DISCUSSIONS WITH THE PORTUGUESE WILL
INDEED PERMIT THE US TO DESIGNATE PORTUGAL A GSP
BENEFICIARY, PREFERABLY PRIOR TO THE APRIL 25 ELECTION.
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